

UNITED STATES – SECTION 211 OMNIBUS APPROPRIATIONS ACT
(DS176)

RESPONSES OF THE UNITED STATES
TO QUESTIONS FROM THE PANEL
MARCH 14, 2001

QUESTIONS TO THE UNITED STATES

66. Sub-paragraph (a)(2) of Section 211 refers to "such a *confiscated mark*", implying that the mark itself had to be subject of confiscation; in paragraph 16 of your first submission you have explained that this phrase refers to the corresponding phrase in sub-paragraph (a)(1). The wording of sub-paragraph (a)(1) refers to "a *mark [...] that was used in connection with a business or assets that were confiscated*", implying that a mark would fall under the provisions in question if the relevant business or assets were confiscated even if the mark itself was not subject of confiscation. Please explain what is the reason for this difference in the language used in these two sub-paragraphs.

Response:

1. There is no legislative history or other documentation that would explain the reason for this difference in language. It would appear, however, that the phrase "such a confiscated mark" in section 211(a)(2) serves two purposes. First, it is a short-hand way of referring to a trademark described in section 211(a)(1), that is, "a mark, trade name or commercial name that is the same as or substantially similar to a mark, trade name or commercial name that was used in connection with a business or assets that were confiscated unless the original owner . . . has expressly consented." We note that the Panel's question refers only to the "mark . . . used in connection", but the full reference includes trademarks identical or similar to those marks.

2. Second, the language "such confiscated mark" reflects that there is, under section 211, a connection or link between the trademark whose enforcement is sought and the confiscation. Trademarks do not exist in a vacuum, but are linked to an underlying business asset.¹ In situations covered by section 211, that underlying business asset has been confiscated, the confiscating entity (or its successor in interest) is asserting ownership of the associated trademark by virtue of the confiscation of the asset, and there is a prior owner of the trademark used in connection with that asset. In this sense, it is the mark itself that has been confiscated. In fact, it appears that the Cuban confiscations did extend to the trademarks used in connection with the confiscated businesses, along with all the other assets of those businesses.

67. Following up your response to questions 1(c), please clarify:

- (a) Would Section 211 apply to a trademark in the following *hypothetical* situation: a trademark was protected in the US at the time of the confiscation by the Cuban

¹ For example, in the United States, federal trademark registrations or applications for federal trademark registration may be assigned with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark. Section 10, of the U.S. Trademark Act, 15 U.S.C. 1060.

Government, but subsequently it was *determined by a US court* or other competent US authority that the trademark in question had been abandoned *under the US law* and hence had become available for anyone else to use?

Response:

3. This hypothetical makes the very significant assumption that the original owner whose business was forcibly confiscated would be found to have voluntarily ceased use of the associated trademark with the intent not to resume use – the standard for abandonment under U.S. law. For the reasons detailed in our answer to Panel question 1(c), we do not believe that courts would make such a finding.

4. Nevertheless, assuming that a court *did* find abandonment, we note that section 211 does not address this situation, probably because, as one court has stated, “[i]t is not likely that Congress wished to disadvantage a company that understandably ceased to use its trade name after the confiscation of its business.”² While that court declined to entertain an abandonment defence with respect to a trade name in that case, other circumstances could lead to different results. Whether section 211 would apply to a trademark whose original owner has legally abandoned the trademark in the United States is a question that is left to the decision-maker. Since the core issue under section 211 is trademark ownership, a court could well decide that, under particular circumstances where a trademark has been legally abandoned, there is no original owner whose consent is required under section 211.

(b) Does Section 211(a)(1) cover the payment of an application fee for registration of a sign that was used in connection with property that was confiscated by the Cuban Government, if that sign has never been protected in the US either as a trademark or tradename or under any law relating to such signs and hence is available for anyone to use?

Response:

5. Nothing in section 211(a)(1) specifically limits its scope to trademarks “protected” at some point in the past. The Panel should note, however, several points in connection with this question. First, a registrant must have an OFAC license in order to pay an application fee to register any trademark in which Cuba or a designated national has an interest (regardless of whether the trademark has been protected in the United States). Section 211(a)(1) simply provides that no general OFAC license is available for certain of these trademarks – *i.e.*, those identical or similar to trademarks used in connection with confiscated assets, unless the original owner has consented. Section 211(a)(1) does not address OFAC specific licenses, which is another means by which payments of application fees may be authorized. Second, the distinction between trademarks that have been protected in the past and those that have not may not have much practical significance. Section 211(a)(1) focuses on trademarks that have an “original owner” and that have been “used” in connection with the confiscated assets or business. Such use – even outside the United States – can create ownership rights (*i.e.*, “protection”) in the United States. Further, a trademark that is well-known in the United States may be entitled to “protection” in the United States under TRIPs Articles 16.2 and 16.3, and Paris Convention Article 6*bis*. Therefore, even if such trademarks have not been formally “protected” through registration under U.S. law, they still may not be “available for anyone to use.” In addition, even though the language of section 211(a)(1) might be read to suggest that its scope includes trademarks that have never been the source of rights in the United States,

² Havana Club Holding, S.A., v. Galleon S.A., 203 F.3d. 116, 128 (Exhibit EC-16)

there is also scope in that language for a decision-maker to decide that section 211(a)(1) was not intended to reach such a trademark.

68. How would the US characterize the legal effect of Section 211(a)(1) in a situation where the lack of an authorization of a payment of a renewal fee leads to the expiration of a trademark registration resulting from a failure to pay the renewal fee? Is this in effect a taking of an acquired right? Is it possible to obtain a specific licence to make the payment necessary to renew the registration of a trademark registered before 1998?

Response:

6. Addressing the last question first, section 211(a)(1) addresses the availability of general OFAC licenses to register certain trademarks. It does not address specific OFAC licenses, which are another means of obtaining the authorization to make payments related to the registration or renewal of a trademark. The legal effect of the application of section 211(a)(1) is, therefore, only that the OFAC general license is not available to register such trademarks. With respect to the first question, making general licenses unavailable for certain trademarks is not the taking of an acquired right, for several reasons. First, a general license is not itself an acquired right – it is one vehicle under which payments are authorized under OFAC’s licensing authority. OFAC reserves the right to impose exclusions or restrictions from the scope of such general licenses. 31 C.F.R. 515.503. The other vehicle is a specific license. Second, if, in fact, a confiscating entity (or its successor in interest) is not the legitimate owner of the trademark, that entity never had rights in the trademark to begin with. Since there were no acquired rights in the trademark, denying the registration or renewal of the trademark is not a taking of an acquired right. Regardless of section 211, a trademark registration or renewal is always subject to challenge on the grounds that the registrant is not the legitimate owner of the trademark. This was the situation before 1998, and remains the situation today.

69. What is the US view of the breadth of Article 17 of the TRIPS Agreement? Could it cover, e.g. antitrust violations, equitable defences and rights acquired under state law?

Response:

7. Article 17 permits limited exceptions to the rights conferred by trademarks, and the text of Article 17 suggests that any exceptions should be narrowly drawn. With respect to the areas of coverage suggested by the Panel, it is not possible to express a view in the abstract. Whether a particular exception would be justified by Article 17 would depend on the particular circumstances of the exception.

70. In considering whether Section 211(b) accords nationals of other Members treatment no less favourable than that it accords to US nationals (Article 3 of the TRIPS Agreement) at the designated national level (as opposed at the level of successors-in-interest), what kind of factual situations should be taken into account?

Response:

8. It would be misleading to split section 211 into different “levels” for national treatment purposes. The law as a whole should be examined, and not artificial “levels” of the law. Section 211(b) applies equally, without exception, to any national who asserts ownership rights derived from the subject confiscations, and so does not violate the national treatment obligation. This said, section 211(b) is addressed to designated nationals or their successors in interest (of whatever nationality) that base their

U.S. trademark registration application on a "home country" foreign registration. Such a trademark application benefits from certain advantages that are not available to those who do not file based on a home country registration. For instance, applications based on a home country registration do not require proof of actual use. For the purpose of answering the Panel's question, we shall focus on section 211(b)'s reference to "designated nationals" only, leaving aside, for the moment, the reference to "successors in interest." Such designated nationals may take advantage of the "home country" registration process, whereas U.S. nationals may not. Therefore, to the extent that section 211(b) might prevent a designated national from asserting purported ownership rights in a trademark that was registered based on a home country registration, the statute simply puts the designated national on an equal footing with U.S. nationals, who have no access to that form of registration. Shifting now to the "level" of "successors in interest", all such successors are in the same position, regardless of nationality. If a U.S. national could become a successor in interest (an assumption which is doubtful, for reasons explained in earlier submissions), he or she would be treated no better than successors in interest who are not U.S. nationals. These factual situations show that, under section 211(b), U.S. nationals are treated no better than, and sometimes worse than, designated nationals.

71. In paragraph 108 of your first submission you emphasize that the principle that the US will not give extra-territorial effect to foreign confiscations is a principle that applies equally to all countries. On the other hand, in footnote 52 to that paragraph you state as follows: "That Sections 211(a)(2) and 211(b) are focused on trademarks similar to those used in connection with confiscated businesses in Cuba - and not confiscated businesses elsewhere - does not amount to an MFN violation under the TRIPS Agreement, because it does not discriminate against Cuban nationals, as opposed to other nationals, who wish to assert such trademark rights." Please clarify whether in your view Article 4 of the TRIPS Agreement allows a certain policy applicable to confiscations of trademarks in one Member, on the condition that all WTO Member nationals are treated similarly in respect of such confiscations in that Member, or does that Article require that a similar policy has to be applied to confiscations of trademarks in all other Members? Please explain.

Response:

9. Because of the context of this dispute – involving the particular case of foreign confiscations, and the principle that Members are not required to give effect to foreign confiscations with respect to assets, including trademarks, in their territory – section 211 is consistent with most-favored-nation obligations under either interpretation. Section 211 treats all nationals the same with respect to the ownership of trademarks associated with assets confiscated in Cuba, and the principle of non-recognition of foreign confiscations applies equally to all countries. The EC's claim that section 211 violates the most-favored-nation obligation relates only to the first situation described by the Panel above, a point that was confirmed at the Panel meeting on March 7. The EC's claim is that section 211 violates TRIPS because, *with respect to the confiscations at issue in section 211*, it gives advantages to one Member's nationals that are not granted to other Members' nationals. This is the argument to which the U.S. has responded in stating that section 211 provides identical treatment to all nationals. Because of this identical treatment, there is no MFN violation. Because the EC is only alleging an MFN violation based on the first situation described by the Panel above, the Panel need not reach the question of whether TRIPS Article 4 applies in the second situation. Having said that, it is also true, because of the special circumstance of foreign confiscations and their effect on assets within a Member's territory, that the principle reflected in section 211 is a principle that applies in the United States regardless of the location of the confiscation.